

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

21 OCTOBER 2017
9.00 AM – 12.00 PM
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SEVEN (7)** pages excluding the cover page with **FOUR (4)** Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.
3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

A). Compare and contrast absorptions and takeovers. Provide real life examples to support your answer.

(5 marks)

B). Zara Bhd acquired 80% of the issued equity capital of Yaya Bhd on 1 January 2015. Zara Bhd then disposed 40% of Yaya Bhd on 31 December 2016.

Appraise the above scenario with regards to status of investee and the impact on consolidated financial statements.

(5 marks)

C). The financial statements of Mine Bhd and Yours Bhd as at 31 December 2016 were as follows:

Statements of Financial Position as at 31 December 2016		
	Mine Bhd RM	Yours Bhd RM
Land	440,000	100,000
Plant and machinery	60,000	160,000
Investment at cost:		
Yours Bhd	294,000	-
Inventories	136,000	80,000
Current account		
Yours Bhd	60,000	-
Trade receivables	180,000	170,000
Bank	230,000	90,000
	<u>1,400,000</u>	<u>600,000</u>
Ordinary share capital at RM1 each	1,000,000	200,000
Retained profits	300,000	280,000
Current account		
Mine Bhd	-	50,000
Trade payables	100,000	70,000
	<u>1,400,000</u>	<u>600,000</u>

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Additional information:

i). Mine Bhd acquired the shares in Yours Bhd as follows. Mine Bhd account for all its investments at cost.

Date of acquisition	Shares acquired	Cost (RM)	Fair Value (RM)		Retained profits (RM)
			1 January 2013	1 January 2016	
1 January 2013	80,000	134,000	134,000	180,000	90,000
1 January 2016	60,000	160,000	-	160,000	200,000

ii). Goodwill is computed for parent only. On 31 December 2016, the goodwill of Yours Bhd was impaired by 20%.

iii). Difference in the current account is due to inventory (at cost price) in transit.

iv). Yours Bhd sold plant and machinery to Mine Bhd with a carrying amount of RM20,000 for RM30,000 in year 2014. On that day, the remaining economic life of the plant and machinery was five years and the plant and machinery is depreciated using straight line method.

v). Mine Bhd sold inventories at sales value RM27,500 to Yours Bhd during the year at cost plus 10%. 60% of the inventories remain unsold as at 31 December 2016.

vi). The fair value of Yours Bhd's land was RM200,000 higher than its carrying amount on 31 December 2016.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, prepare the consolidated statement of financial position as at 31 December 2016 for Mine Bhd Group.

(15 marks)

(Total: 25 marks)

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QUESTION 2 (25 MARKS)

The financial statements of three companies as at 31 December 2016 were as follows:.

Statements of Financial Position as at 31 December 2016			
	Ariz Bhd RM	Benz Bhd RM	Chaz Bhd RM
Building	1,746,000	1,560,000	600,000
Plant and Machinery	1,200,000	325,000	200,000
Investments in Benz at cost:			
1,200,000 ordinary shares	1,500,000	-	-
10 percent redeemable preference shares	50,000	-	-
Investments in Chaz at cost:			
200,000 ordinary shares	-	386,000	-
Inventories	66,000	40,000	20,000
Trade receivables	120,000	115,000	80,000
Bank	100,000	44,000	(50,000)
	4,782,000	2,470,000	850,000

	Ariz Bhd RM	Benz Bhd RM	Chaz Bhd RM
Ordinary share capital at RM1 each	4,000,000	2,000,000	800,000
10 percent redeemable preference shares	400,000	100,000	-
Retained profit	272,000	280,000	(20,000)
Trade payables	110,000	90,000	70,000
	4,782,000	2,470,000	850,000

Additional information:

- Ariz Bhd acquired Benz Bhd on 1 January 2012. Retained profit on acquisition date was RM 100,000.
- Goodwill of Benz Bhd was impaired by RM40,000 on 31 December 2016.
- Benz Bhd acquired the shares in Chaz Bhd on 1 January 2016 when the retained profit of Chaz Bhd was RM80,000. Chaz Bhd is classified as an associate company of Ariz Group.

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- d) Investment in Chaz Bhd is impaired and the carrying amount exceeds its recoverable amount by RM31,700 on 31 December 2016.
- e) During the year, Ariz Bhd sold inventories to both Benz Bhd and Chaz Bhd at invoice prices of RM8,000 and RM5,000, respectively. Ariz Bhd sells inventories to its investees at profit margin of 10%. Both Benz Bhd and Chaz Bhd have not sold any of these goods.
- f) The other receivables of Ariz Bhd include RM20,000 owed by Benz Bhd and RM4,000 owed by Chaz Bhd. On 31 December 2016, Benz Bhd sent a cheque for RM5,000 to Ariz Bhd. This was not received by Ariz Bhd until 2 January 2017.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, prepare the consolidated statement of financial position of Ariz Group as at 31 December 2016.

(25 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

P.Com Bhd acquired 75% equity interest in S.Com Bhd for RM 12.4 million a few years ago. On that date the capital of S.Com Bhd was 10 million. Further it also purchased 3.2 million shares (40% of equity) in I.Com Bhd for RM4.0 million on 1st July 2016 and the capital of I.Com Bhd was RM8million.

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The following is the Statement of Profit or Loss of P.Com Bhd, S.Com Bhd and I.Com Bhd for the year ended 31st December 2016.

	P.Com Bhd (RM'000)	S.Com Bhd (RM'000)	I.Com Bhd (RM'000)
Revenue	60,000	30,000	20,000
Cost of sales	(50,000)	(24,000)	(16,000)
Gross profit	10,000	6,000	4,000
Other income	2,000	1,000	600
Expenses	(6,000)	(4,000)	(2,600)
Profit before tax	6,000	3,000	2,000
Taxation	(1,800)	(1,000)	(800)
Profit after tax	4,200	2,000	1,200
Dividend	(1,200)	-	-
Retained profits brought forward	3,000	1,000	1,000
Retained profits carried forward	6,000	3,000	2,200

Additional information:

- On the date of purchase of shares the retained profits of S.Com Bhd and I.Com Bhd were RM2 million and RM1 million respectively.
- During the year, S.Com Bhd sold inventory costing RM1 million for RM2 million to P.Com Bhd, 50% of the inventory remains unsold.
- Non-controlling interest is measured to the fair value of the nets assets on the acquisition date.
- During the year P.Com Bhd received RM500,000 as consultation fee from S.Com Bhd, which is included in other income of P.Com Bhd.
- 10% of Goodwill of S.Com Bhd was impaired during current year.
- Revenue and profits should be deemed to accrue evenly throughout the year.

Required :

- Prepare the consolidated statement of profit or loss for the year ended 31 December 2016.

(18 marks)

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- ii) Calculate the goodwill of S.Com Bhd and I.Com Bhd at the time of acquisition.
(4 marks)
- iii) In a parent-subsidiary relationship control is exercised. Define control as per MFRS 10 and briefly explain the three elements.
(3 marks)
- (Total: 25 marks)**

QUESTION 4 (25 MARKS)

The following is the group financial statements of Melaka Sdn Bhd.

Consolidated Statements of Financial Position of Melaka Sdn Bhd as at 30 June.

	2016	2015
Non-current assets	RM	RM
Land	50,000	50,000
Buildings	425,000	275,000
Furniture and Fittings	12,000	15,000
Goodwill on consolidation	11,000	25,000
Investments in Associate co	55,000	50,000
Current assets		
Accounts receivables	138,000	48,000
Inventories	170,000	37,000
Cash and bank balances	119,000	20,000
	980,000	520,000
Ordinary share capital	500,000	400,000
Retained profit	50,000	10,000
5% Debentures	300,000	-
Non-controlling interest	80,000	75,000
Current liabilities		
Bank overdrafts	5,000	-
Accounts payable	18,000	5,000
Other payables	13,000	18,000
Current tax payable	14,000	12,000
	980,000	520,000

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Summarised Consolidated Statement of Profit or Loss for the year ended 30 June 2016.

	<u>RM</u>
Operating income (including gain on disposal of subsidiary)	345,000
Operating expenses	(235,000)
Other income	5,000
Impairment of goodwill	(10,000)
Share of profit from Associate co	35,000
Profit before taxation	140,000
Taxation - Group	(40,000)
<u>Profit after taxation</u>	<u>100,000</u>

Profit attributable to parent shareholders	90,000
N C I	10,000

	100,000

Additional information:

- Depreciation on furniture of RM1,500 and on building of RM2,500 were included in operating expenses.
- During the year the group has sold the entire 80% shares in a subsidiary company for a cash consideration of RM40,000. On the date of disposal, the following are the assets and liabilities of the subsidiary company. Remaining Goodwill on the date of disposal was RM4,000.

	<u>RM</u>
Cash and bank balances	2,000
Accounts receivables	7,000
Inventories	8,000
Furniture	6,000
Accounts payable	(3,000)
N C I	(4,000)

	16,000
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Required:

- Prepare the consolidated cash flow statement for Melaka Sdn Bhd for the year ended 30 June 2016. (20 marks)
- Analysts use financial ratios because numbers in isolation typically convey little meaning. Thus ratios are intended to provide meaningful relationships between individual values in the financial statements. Explain briefly the importance of current ratio and debt equity ratio with example. (5 marks)

(Total: 25 marks)
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